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INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN 1996-1998:

**JOINT REPORT OF THE STATE COMMITTEE
FOR STATISTICS AND PADCO**

Conclusions

INDEBTEDNESS NATIONWIDE

- ❑ By March 1998, the total debts owed to housing and communal services enterprises for residential services by households and local budgets totaled 3.89 billion Hrn nationwide. This compares with nationwide debts for wage and pension arrears on that date of 6.82 billion Hrn. Inter-enterprise debts are estimated at 72.8 billion Hrn.
- ❑ Of the total debts for housing and communal services for the household sector, 68.6 percent are owed by households themselves, and 31.4 percent by local budget organizations to cover the costs of housing subsidies.
- ❑ In 1997, the compliance rate was lower for families than for local budgets, which are responsible for covering housing subsidies. However, the period of households' indebtedness (averaging 7.2 times the monthly payment due in March 1998) was shorter than local budget indebtedness (8.5 months) due to arrears in paying subsidies accumulated in 1996.

INDEBTEDNESS IN PILOT SITES

- ❑ The state of indebtedness varies a great deal among different locations and for different services. The reasons for these variations should be studied further. They may be due to differences in wage arrears, local incomes, local accounting practices and the quality of services.
- ❑ Household indebtedness is higher measured by nationwide statistics than in the three pilot sites. Among pilot sites, the compliance rate and the period of indebtedness are similar, although the distribution of households by length of indebtedness varies – the share of debtors is the lowest in the City of Lutsk and the highest in Kharkiv and L'viv Oblasts.
- ❑ In Kharkiv Oblast, between September, 1996 and December, 1997, the total amount and the average period of indebtedness by households and budget organizations tripled. In the city of Kharkiv the period of local budget indebtedness for maintenance of housing is four times as long as the period of household indebtedness (16 months and 3.8 months, respectively). Residential customers pay, on average, 90% of their monthly charges for housing - the highest compliance rate among pilot sites. Households without any debts for housing and communal services account for 18% to 47% (depending on the service). A portion of those three and more months late in payments varies between 30% and 66%.
- ❑ In the city of Lutsk, between December, 1996 and September, 1997, both the amount and period of indebtedness increased by 60%. But the average period of indebtedness for all services was low - 4.4 months in September, 1997. Residential customers pay on average 80% of what they are charged. Six out of ten households do not have any debts, whereas a core group of 20% of the total number of households are more than three months late in payments.
- ❑ In L'vivska Oblast, during the second half of 1997, the amount of indebtedness increased by 22%. The period of indebtedness for housing maintenance (4.9 months) was shorter than that for communal services (heating - 10 months, water supply - 8 months). Households paying for housing maintenance on time account for 56%; those with debts for three and more months – 30%. Debts incurred by residential customers account for 77% of the total indebtedness.

CONTENTS

INDEBTEDNESS INDICATORS NATIONWIDE AND IN PILOT SITES.	3
INTRODUCTION	4
INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES AMONG UKRAINIAN RESIDENTIAL CUSTOMERS BASED ON OFFICIAL DATA	6
INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN KHARKIVSKA OBLAST	8
HOUSEHOLD INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN THE CITY OF LUTSK.....	11
INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN L'VIVSKA OBLAST.....	13

INDEBTEDNESS INDICATORS NATIONWIDE AND IN PILOT SITES¹.

	Compliance rate	Period of Indebtedness	Share of debtors, % of all households	Share of debtors for 3 and more months, % of all households
Nationwide	58,9% (households, all services, 97-98) 64,3% (budgets, all services, 97-98)	7 months (households, all services, March 98) 8,9 months (budgets, all services, March 98)		
Kharkiv obl.	90% (households, housing maint., Kharkiv City, 97) 58% (households and budgets, all services, Kharkiv obl., 96-97)	10,2 months (households and budgets, all services, Kharkiv obl., Dec 97) 3,8 months (households, housing maint., Kharkiv City, 97) 16 months (budgets for subsidies and privileges, housing maint., Kharkiv City, 97)	90% (hot water and heat, Kharkiv City, 97) 70% (housing maint. and gas, Kharkiv City, 97)	66% (hot water and heat, Kharkiv City, 97) 30% (housing maint. and gas, Kharkiv City, 97)
City of Lutsk	80% (households, all services, 96-97)	4,4 months (households, all services, Sept 97)	40% (households, all services, Sept 97)	20% (households, all services, Sept 97)
Lviv obl.	80% (households, Lviv obl., Housing maint., Jan 98)	4,9 months (households, housing maint., Lviv obl., Jan 98) 8,2 months (households, water, Lviv obl., Jan 98) 9,8 months (households, heat, Lviv obl., Jan 98)	75% (housing maint., Lviv obl., 97)	30% (housing maint., Lviv obl., 97)

¹ The explanation of indicators "Compliance Rate" and "Term of Indebtedness" is given in the Introduction

INTRODUCTION

BACKGROUND

Since October 1994, the Government of Ukraine has been engaged in a program of raising monthly payments by households for housing and communal services, with the goal of eliminating subsidies to enterprises providing communal services.² Because there are no penalties associated with late payment or even non-payment by households, the government is concerned with the level of indebtedness to communal services organizations. Increasing indebtedness threatens the ability of communal services enterprises to continue to provide services essential to the health and well-being of Ukrainian households.

Since 1997 the State Committee for Statistics and PADCO has been collaborating in monitoring indebtedness for housing and communal services in order to provide accurate and timely information on this problem. But accurate measurement of indebtedness has been hampered by several serious measurement problems. This report is the outcome of jointly-developed approaches to accounting and studying indebtedness which have overcome these problems and allow accurate estimates of the structure and extent of the indebtedness.

METHODOLOGY

Although the collaboration between PADCO and the State Committee for Statistics has established ways of measuring different aspects of indebtedness, it has not yet analyzed the reasons for the wide variation in payment behavior among different sites, at different periods of the year, and among different groups of households. It is our belief that payment behavior depends on at least four factors:

- 1) the extent of wage and pension arrears among the local population – large wage arrears are likely to lead to larger indebtedness;
- 2) the accuracy and speed with which households receive billings for communal services and with which their payments are credited – communities with fast and accurate billing and accounting practices are likely to have smaller debts;
- 3) the level of average household income – poorer communities are likely to be deeper in debt than higher income communities; and

4) the quality of local communal services – families receiving poor quality services are likely to be less willing to pay.

Since household payments account for nearly 5% of measured GDP, and since indebtedness threatens the ability of communal services enterprises to continue operating, it is very important for the Government of Ukraine to understand what factors affect the willingness of households to pay. Research in this area must be given top priority by the State Committee for Architecture, Construction and Housing.

The principal problem of measuring debts of residential customers is caused by the fact that responsible organizations do not separate payments due from households from payments due on behalf of households made from local budgets to cover housing subsidies and privileges. The State Committee in collaboration with PADCO has improved accounting and reporting procedures intended to ensure that the State Committee for Statistics receives “net” data on households’ indebtedness.³ Today, the State Committee of Statistics separates households’ debts from budget debts by subtracting the value of housing subsidies from total charges for housing and communal services, payments, debts. PADCO has been trying to collect “net” data on households’ debts from a sample of oblasts and raions since 1996. The PADCO sample includes collection of detailed information on a sample of households as well as separate information on debts for individual communal services. It would not be possible to replicate this data for all households and raions in Ukraine -- but the system developed by PADCO can be used for a sample of communities by oblasts wanting such data, or by State Committee for Statistics as a supplement to its less detailed nationwide data.

The PADCO sample data is collected in L’viv Oblast, the City of Lutsk, and in Kharkiv Oblast. However, the time periods for which data were collected in the pilot sites varies -- in Kharkiv, information was collected for all of 1997. In Lutsk and L’viv, data were collected only for several months of 1997, reflecting differences in agreements with local organizations providing the data. There are also differences in the completeness of data compiled at the three sites -- reflecting differences in the degree to which information is computerized by

² Housing and communal services include water and waste water disposal, housing maintenance, gas, heating, garbage disposal, and electricity – together with a number of small charges such as those for elevator maintenance, radio connection, and intercom, if the latter are available.

³ Data on local budget debts to cover subsidies to residential customers are included in reports to the State Committee of Statistics on housing subsidies.

Zheks or other local organizations that are part of the payments system. The database and accompanying analysis are most comprehensive in Kharkiv Oblast. The system of billing and collecting of payments from population in terms of statistics is the most precise in Luts'k city; it was described in PADCO's policy report #18, February 1997. In Kharkiv oblast enterprises now collect separate information on indebtedness by households and local budgets.

The ultimate goal is to collect data through the system of billing and collecting payments making a detailed analysis of the indebtedness possible. These data include charges billed for the current month, amount paid in this month, and the accumulated debt for each service as of this month. It is necessary to separate households in debt for up to and above three months since many of the of households that are only 2 months in debt are law-abiding households which fall into this category only because of the slowness in crediting payments in the cumbersome communal services accounting system⁴.

The State Committee of Statistics and PADCO identified basic concepts for the study of indebtedness used to analyze both households and local budget debts. These are:

- The amount of indebtedness -- the absolute value of indebtedness. Changes in this variable indicate the general status of the indebtedness in the housing and communal services.
- The period of indebtedness -- which is the amount of indebtedness divided by average monthly charges.⁵ This measure shows for how many months households or local budgets owe for one or another service.
- The compliance rate -- the ratio of the amount actually paid in a given month and the monthly charges.

These three measures characterize all aspects of indebtedness.

This report consists of two parts: 1) Study of indebtedness for housing and communal services consumed by Ukrainian residential customers based on official data provided by the State Committee of Statistics; and 2) Study of indebtedness in Kharkiv-

ska and L'vivska oblasts and the city of Luts'k based on PADCO data.

⁴ See PADCO's Policy Report #18 "Ways to Improve the Payments System for Housing and Communal Services"

⁵ We average monthly charges because they vary due to changes in tariffs and for other reasons. For example, during the heating season total charges include payments for gas for heating purposes which affects indebtedness measures.

INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES AMONG UKRAINIAN RESIDENTIAL CUSTOMERS BASED ON OFFICIAL DATA

Between January 1997 and March 1998 households' and budget compliance rates were, on the average, 58.9% and 64.3%, respectively. However, due to accumulation of debts for subsidies in 1996 the period of households' indebtedness was shorter than that of local budgets (7.2 and 8.5 months in March 1998, respectively).

Between January 1997 and March 1998, households' compliance rate was lower than the compliance rate of local budgets (see Chart 1), although during the first quarter of each calendar year household compliance rate exceeded that of local budgets. For the whole period, households paid 58.9% of yearly charges for housing and communal services while 64.3% of funds to cover housing subsidies were transferred to service providers. The later compares with a compliance rate of only 31.6% in 1996. During the year, household compliance rate varied between 0.5 and 0.8 of monthly charges. Local budget compliance rate was very irregular increasing from 0.1 in January to 1.2 in July and reached 1.3 of monthly charges in December 1997. By the beginning of 1998 it had fallen, but was still higher than the rate at the beginning of 1997.

Chart 1: Compliance Rates for the Population and Local Budgets in 1997-1998

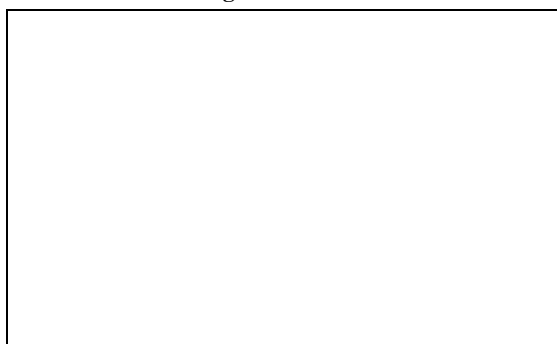


Chart 2 shows that for six-month period of October 1997 - March 1998, the Government was responsible for paying 28% of the total charges for housing and communal services⁶ (reimbursement for subsidies), households for 78%. The amount due by households was 2.63 times as large as the amount due by local budgets. However, the "subsidy portion" of the total indebtedness was larger -- 31% of the total due. Household debt as of March 1998

was only 2.18 times as large the budget debt (see Chart 3). Therefore, the population has a better overall record in paying its share of housing and communal services.

Chart 2: Distribution of Monthly Payments for Housing and Communal Services in Oct. 97 - March 98

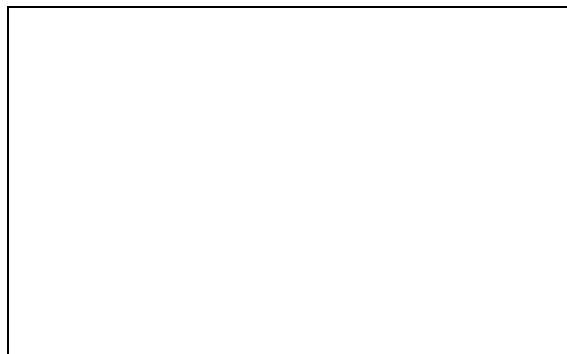
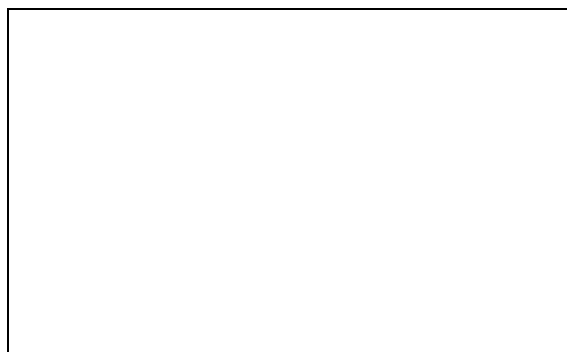


Chart 3: Distribution of the Total Amount of Indebtedness for Housing and Communal Services in March 1998



During the observation period, households' debt kept growing -- increasing by 86%. The local budget debt, although it was stable between May and December 1997, increased in the beginning of 1997 and 1998 and, on the whole, went up by 96% (Chart 4).

Chart 4: Household and Budget Debts for Housing and Communal Services in 1997-1998 (Million Hrn)



⁶ Excluding privileges received by households and direct subsidies (dotatsiya) to service providers.

Therefore, despite the fact that the situation with transfer of budget funds to cover subsidies improved in 1997 as compared with 1996 and that the compliance rate was better than the rate for households, the period of budget indebtedness at the end of the period was still longer than that of households (see Chart 5). This was the result of the large debt for covering subsidies accumulated in 1996. This conclusion is confirmed by a comparative analysis of the indebtedness incurred by households and local budgets (for subsidies and privileges granted to residential customers) in the city of Kharkiv (see below). Separate data on household and local budget debts for housing indicate that the period of local budget indebtedness exceeds that of households.

During 1997, the period of households' indebtedness grew by 157%, whereas the period of budget indebtedness grew by 177% between January and October but then declined between October and December. The total increase for the year was only 119%. Starting October 1997, the period of budget indebtedness kept falling (by 32% between October 1997 and March 1998). The period of households' debt became shorter by 11% between January and March 1998.

Chart 5: Period of Budget and Households' Indebtedness for Housing and Communal Services in 1997-1998 (Months)



In summary, households are more stable payers, and have improved during the last five months. Local budgets are erratic but have shown even stronger improvement in the five months. There is no evidence of a significant deterioration in the overall situation.

INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN KHARKIVSKA OBLAST

Between September 1996 and December 1997, the period of combined household and local budget indebtedness for all housing and communal services consumed in Kharkivska oblast tripled -- reaching 10.2 months at the end of the period. Households' payments and transfers from local budget together covered only about 60% of the total billings by communal service providers. The period of indebtedness for housing maintenance in the city of Kharkiv was 3.8 months for households and 11.5 months for budget organizations for housing subsidies and 18.3 months for privileges. The period of households' debts was five months for housing maintenance and gas together. Ninety percent of households were in debt for hot water and heat, 70% for housing maintenance, 66% were behind three or more months for hot water and heat and 30% for gas.

Between September 1996 and December 1997 in Kharkivska oblast (including the city of Kharkiv), the combined households and budget debts (to cover subsidies and privileges) to communal service providers increased by 3.32 times. At the beginning of the period, the period of indebtedness was 3.4 months but average monthly payments by households and budget organizations to service providers amounted to 58% of monthly bills (see Chart 6), so that, by December 1997, the period of indebtedness was 10.2 months.

The average compliance rate for all services in the 40 largest towns in the oblast outside Kharkiv was 72% -- which was higher than the average value for the oblast as a whole. As a result, the period of indebtedness in November -- 8.5 months -- was less than for the oblast as a whole.

Chart 6: Period of Indebtedness and Compliance Rate for All Services in Kharkivska Oblast



Experts in Kharkivska oblast are developing a computerized system to keep records of household payments for separate housing and communal serv-

ices. Now it is implemented only partially, therefore only limited analysis can be done on differences among different services.

In 1997, providers of hot water and heat received on average from residential customers and local budgets only 49% of the monthly amount due, causing the indebtedness period to increase greatly -- from 5.2 months in September, 1996 to 12.2 months in December, 1997. Only in November and December 1997, were experts able to analyze the status of net household indebtedness. The results disclosed a depressing situation: only 9.5% of all households pay for utilities on time; 8.5% of all households (9.5% of all debtors) owe for one month, and 66% of all households (or 73.5% of households in debt) owe for over three months. This is much higher than in the other pilot sites and shows an alarming trend for heating companies.

Each month, between September 1996 and December 1997, water supply and water disposal organizations in the city of Kharkiv were only slightly better off, receiving from residential customers and local budgets in average only 57% of monthly billings (see Chart 7). The term of indebtedness increased from 1.2 months to 8.3 months. At the same time, Oblvodokanal, the enterprise serving towns in the oblast, received in average 84% of its monthly charges -- but this compliance rate varied from month to month from as low as 30% to as much as 130% of monthly charges. In December 1997, Oblvodokanal received from residential customers and local budgets 380% of monthly charges. However, in November, Oblvodokanal had had to return 7% of its total monthly bill because of overcharging customers. The period of indebtedness increased from 5 months in January 1997 to 10.6 months in November but then fell to 8.8 months in December 1997.

Chart 7: Period of Indebtedness and Compliance Rate for Water Supply and Disposal (City of Kharkiv -- Households and Budgets Together)



Data from the City of Kharkiv allow us to analyse separately payment behavior of households and local budgets. The case of housing maintenance is particularly revealing. In eight out of eleven months of 1997, the household compliance rate in payments for housing maintenance exceeded that of local budgets (see Chart 8). On the average, households paid 90% of their monthly bills – but payments exceeded monthly billings in March, June, July, and October. The local budget compliance rate for housing maintenance fluctuated more than the household compliance rate. It fell as low as 30% and rose over 100%. On the average, service providers received every month only 65% of subsidies but payments to cover privileges averaged only 17% of the proper amount. Combined payments by households and local budgets to service providers covered 73% of the amount due.

Chart 8: Compliance Rate for Housing Maintenance in the City of Kharkiv



Chart 9 shows that residential customers in Kharkiv should pay monthly for housing maintenance 10.2 times as much as local budgets should pay to cover subsidies and 5.2 times as much as local budgets should pay for privileges. Households were more disciplined in their monthly payments during the year so that, in November, their debts were only 3.2 and 1.05 times as large as budget indebtedness for subsidies and privileges, respectively. In September-October 1997, debts for privileges actually exceeded households' debt, see Chart 10. During eleven months of 1997, the amount of household indebtedness increased by 58%, whereas budget indebtedness for subsidies and privileges increased by 91% and 111%, respectively.

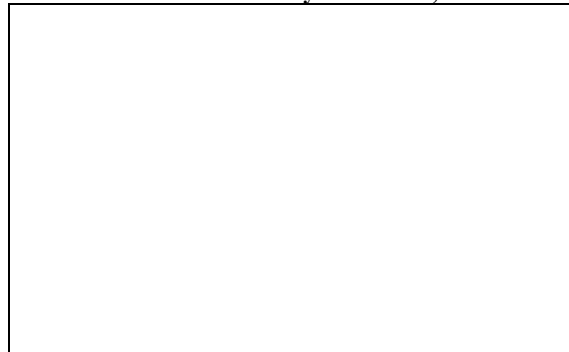
In the second half of 1997, the period of households' indebtedness was less than local budget indebtedness for housing subsidies or privileges (see Chart 11).⁷ During 1997, it varied between 3.3 and 3.8 months. The indebtedness period of local budgets for privileges was the longest: it almost doubled, reaching 18.3 months by the end of the period. The period of

indebtedness for local budgets for subsidies went from 6.8 months down to 4.7 months in the first half of the year but then rose to 11.5 months by the end of the year. The period of indebtedness for local budgets for subsidies and privileges combined was 16 months in November 1997. This caused the period of the indebtedness for all debts combined to reach 6.4 months in the end of the year.

Chart 9: Breakdown of the Average Monthly Charges for Housing Maintenance in the City of Kharkiv (%)



Chart 10: The Amount of Indebtedness for Housing Maintenance in the City of Kharkiv, Hrn



The period of indebtedness for housing maintenance among households varied among the eleven raions within the city of Kharkiv. In December 1997, the longest period of indebtedness was in Moskovsky raion (7.9 months) and the shortest was in Kyivsky raion (2.2 months) (see Chart 12). Within most raions, this indicator remained relatively stable: in eight out of eleven raions the period of indebtedness in December 1997 was within one month of its value in May; in one raion the period fell, and increased by more than one month in two raions. This payment behavior differs from that of other services in other areas, where it was not possible to separate household and budget indebtedness (see Charts 6 and 7). This suggests that most residents of most raions in the city of Kharkiv pay for housing maintenance with a delay that has changed little over time.

The wide variation in period of indebtedness should be the subject of further research. At present there are no data bases that allow these variations to be explained. It is likely that the variations are the re-

⁷ This continued the trend observed in PADCO Policy Report No. 23 (Chart 6, page 6), covering the first part of 1997

sult of different rates of wage arrears among major employers in these raions.

Chart 11: Period of Indebtedness for Housing Maintenance in the City of Kharkiv

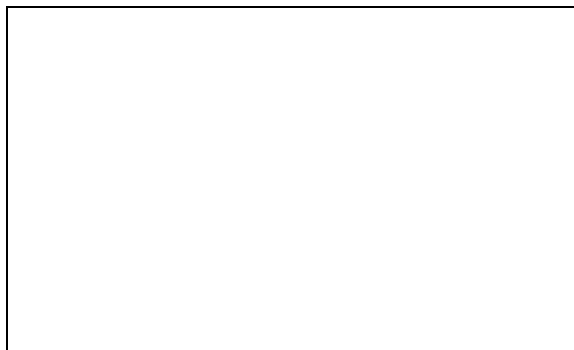


Chart 12: Period of Indebtedness for Housing in the City of Kharkiv by Raions

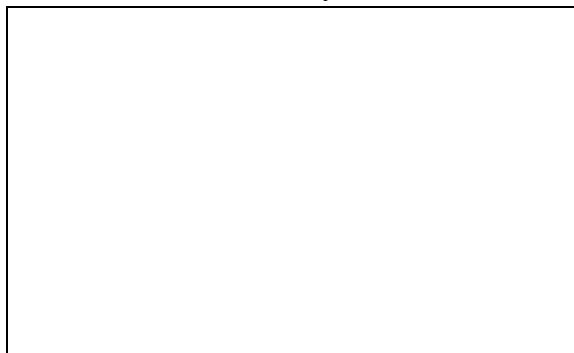


Chart 13: Distribution of Payers for Housing Maintenance in Various Raions of the City of Kharkiv by Period of Indebtedness as of December 1997 (%)



The percentage of households in debt for housing maintenance also varied among raions (see Chart 13). In December 1997, at least 20% of households were without debts in eight out of twelve raions. In three raions, more than 40% were without debts, and in Zhovtnevy raion, more than 60%. This percentage remained stable in most raions, but in Dzerzhynsky raion it went from 6% to 20% and in Kominternivsky and Frunzensky raions it dropped from 44% and 60% to 36% and 12%, respectively. In most raions, households in debt for three and more months accounted for between 20% and 40% and, in all but Dzerzhynsky raion, hardly changed.

While the amount households' indebtedness for housing maintenance and gas in Kharkiv increased by 15% between May and December 1997, the period of indebtedness remained within 4.9 – 5.3 months. The portion of debtors also remained stable at between 66% and 70% of all households. The portion of households in debt for over three months accounted 27% to 29% of all households or 40% to 43% of indebted households (see Chart 13).

HOUSEHOLD INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN THE CITY OF LUTSK

The overall average monthly compliance rate in Lutsk was around 80% of monthly billing – with little difference among different services. The amount of indebtedness increased by 63% between December 1996 and September 1997. The period of indebtedness for various services reached four to five months in September 1997. 60% of all households either did not have debts or repaid them. About 20% of households have made no payments for services at all.

The Lutsk system of maintaining records of payments for housing and communal services separates housing subsidies from direct household payments, thus, allowing the estimation of the actual status of household indebtedness. This system is unique in Ukraine.⁸ The accounting system presents a rather comprehensive picture of household indebtedness. For example, since all records are computerized, both the amount and the period of an individual household's debt can be easily estimated when the household makes a payment and the information is registered in the database (payments are registered immediately they are made -- unlike in other cities where the delay between a household paying and the transaction being recorded may exceed three weeks). The system prevents inaccuracy caused by typical delays in transferring payments to service providers and by errors associated with the manual processing of payments.

Chart 14 shows the household compliance rate. Lutsk residents may pay any amount and apply it toward payment of whatever service they choose. However, during nine months of 1997, they paid a practically equal portion of the amount due for each service (around 80%). Households paid their bills in full in March, May, June, and August. The high compliance rate is probably due to the efficient billing and rapid crediting of payments made possible by the Lutsk accounting system.

During the first nine months of 1997, total indebtedness for all housing and communal services in Lutsk increased by only 63%. Heating enterprises were owed the most (46% of total debt) -- (see Chart 15), reflecting this service accounts for 46% of total monthly billing. The period of indebtedness varied relatively little among services, averaging 4.4 months in September, 1997 (see Chart 16). Between December, 1996 and September, 1997, the period of

indebtedness increased by only between 55% and 60% -- less than in other pilot sites.

Chart 14: Compliance Rates in the City of Lutsk



Chart 15: Amount of Indebtedness in the City of Lutsk (HRN Thousand)



Chart 16: Period of Indebtedness for Various Services in the City of Lutsk

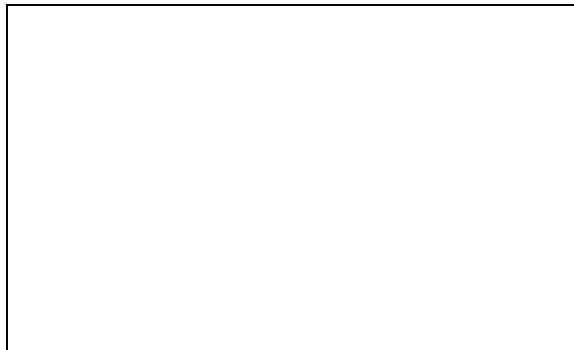


Since all records are computerized, it is easy to group the customers by their period of indebtedness. Chart 17 shows the share of households with different periods of indebtedness for housing maintenance only. The percentage of consumers without any debts fell from between 39% to 42% (depending on the service) to between 28% to 38%; the percentage of households in debt for three and more months was

⁸ See PADCO's Policy Report #18

more or less stable at 20%, for up to one month – 15% to 20%, for two months – 5% to 10%.

Chart 17: Distribution of Payers for Housing Maintenance by Period of Indebtedness



For housing maintenance, those owing up to Hrn 20 accounted for between 30% and 40% of all households; those owing Hrn 20 to Hrn 40 accounted for 10%; those owing Hrn 40 to Hrn 60 accounted for between 5% and 7%; those owing Hrn 60 to Hrn 100 accounted 6% to 8%; the percentage of households owing over Hrn 100 increased from 2% to 10% (see Chart 18).

Among heating consumers, the percentage of debtors varied in the following ranges: up to Hrn 20 – 20% to 23% of all households; from Hrn 20 to Hrn 40 – 10%; between Hrn 40 to Hrn 100 – 15%; the portion of households owing over Hrn 100 increased from 17% to 23%.

Among hot water consumers, the distribution of debtors was as follows: up to Hrn 20 – 20% to 35%; Hrn 20 to Hrn 40 – 12% to 15%; Hrn 40 to Hrn 100 – 15%; the percentage of consumers owing over Hrn 100 rose from 7% in December 1996 to 13% in September 1997. Households owing up to Hrn 20 accounted the largest portion of cold water consumers; 10% of households owed Hrn 20 to Hrn 40; 8% to 9% of households owed Hrn 40 to Hrn 100; the percentage of those owing over Hrn 100 increased from one to five.

The distribution of customers for each service by period of indebtedness was stable between December 1996 and September 1997, whereas the percentage of households owing more than Hrn 100 increased. This indicates that, although number of households late in their payments for three and more months did not increase, they kept accumulating debts, extending their average period of indebtedness. Therefore, the trend toward the creation of a core group of delinquent households not paying for housing and communal services at all continued in the second half of 1997.

Chart 18: Distribution of Payers for Housing Maintenance by Amount of Indebtedness



INDEBTEDNESS FOR HOUSING AND COMMUNAL SERVICES IN L'VIVSKA OBLAST

During the second half of 1997, the amount of indebtedness for housing and communal services in L'vivska oblast grew by only 22%. The period of indebtedness was the shortest for housing maintenance (5 months), and the longest for heat and water supply (8 to 9 months). Households with no debts, or debts of less than one month for housing maintenance accounted for 56% and households 3+ months late accounted for 30% of all consumers. Debts incurred by residential customers accounted for 77% of the combined indebtedness..

The debt for housing and communal services consists of two components: the debt by households and amount not transferred from local budgets to cover subsidies granted to households. In August 1997, the household component was 77% and budget component - 23%.

In mid-1997, the biggest debts of households in L'vivska oblast were for heat; debts for housing maintenance were the smallest (see Chart 19). However, debts for heat did not grow during the rest of the year -- even falling in July and October -- whereas debts for housing maintenance and water supply increased by 48% and 168%, respectively. In average, households were paying monthly 76% of monthly payments for housing maintenance.

Heat is the most expensive service and the period of indebtedness for heat was usually the longest -- averaging 8 to 10 times the monthly charge (see Chart 20). The period of indebtedness for water supply increased most sharply perhaps reflecting the poor water services in the city of L'viv. The period of indebtedness for housing maintenance was the lowest: it did not exceed five months.

Chart 19: Amount of Household Indebtedness in L'vivska Oblast (HRN Thousand)



Chart 20: Period of Household Indebtedness for Various Services in L'vivska Oblast



Forty percent of households paid for housing on time between June and September, but, by January, the percentage of such families had fallen to 25% (see Chart 21). This happened because of an increase in the number of families in debt for only one month -- from 20% to 35%. Many of these families are not actually late in payments but are considered debtors because of slow record keeping. Households three and more months late in their payments accounted for between 15% to 17% of all households.

Chart 21: Distribution of Payers for Housing Maintenance in L'vivska Oblast by Period of Indebtedness

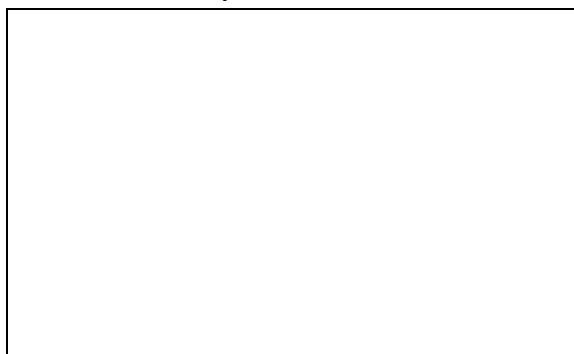


In the city of L'viv, the shortest period of indebtedness was for housing maintenance (as compared with debts for other services in this and other regions): by the end of the year it dropped to 2.7 months (see Chart 22). The rapid growth of debts for water and sewerage probably signal customers dissatisfaction with these services.

Chart 22: Period of Indebtedness in the City of L'viv

Distribution of households residing in the city of L'viv by amount of indebtedness for housing is similar to that for L'vivska oblast: the percentage of households paying on time and those in debt for one month varied from 22% to 31%; households three and more months late in payments for housing accounted for between 17% and 21%.

In town of Drohobych, South-West of the City of L'viv, households were most disciplined in payments for housing maintenance and heat (see Chart 24). Stability of indebtedness for housing maintenance indicates that households paid for housing regularly and that bills were issued regularly. Payments for heat and water supply were often backdated, reducing the amount of indebtedness.

Chart 23: Distribution of Payers for Housing in L'vivska Oblast by Period of Indebtedness

The percentage of households without debts for housing maintenance in Drohobych (see Chart 25) was lower than that for the city of L'viv and for L'vivska oblast as a whole: it fell from 25% to 13%. The portion of households in debt for one month was also lower: between 10% to 15%. The portion of households with debts for three and more months varied between 16% and 18%. The largest group (44% to 52%) were two to three months late.

Chart 24: Period of Indebtedness (Drohobych)**Chart 25: Distribution of Payers for Housing Maintenance in Drohobych by Period of Indebtedness**

In the town of Brody, North-East of the City of L'viv in L'viv Oblast, the amount of indebtedness grew by 12% for water supply and water disposal, by 37% for housing and by 57% for heat between June 1997 and January 1998. The period of indebtedness was the lowest for housing maintenance (see Chart 26). The percentage of households with no debts or less than one month in arrears reached 70% in October; between 30% to 40% of households were two or more months late (see Chart 27).

Chart 26: Period of Household Indebtedness in Brody

In the second half of 1997, the amount of indebtedness for housing in Shevchenkivsky raion of the city of L'viv (where records are computerized) grew by 14% -- slower than in the oblast as a whole (see Chart 19). The period of indebtedness in the raion for housing maintenance (see the last group of bars on Chart 28) was similar to the period for the city of L'viv as a whole (see Chart 22). The average period of indebtedness in the raion was 3.8 months. The ratio of the highest to the lowest value of this indicator

in different Zheks was up to 2. The reasons for this variation should be investigated further.

Chart 27: Distribution of Payers for Housing Maintenance in Brody by Period of Indebtedness

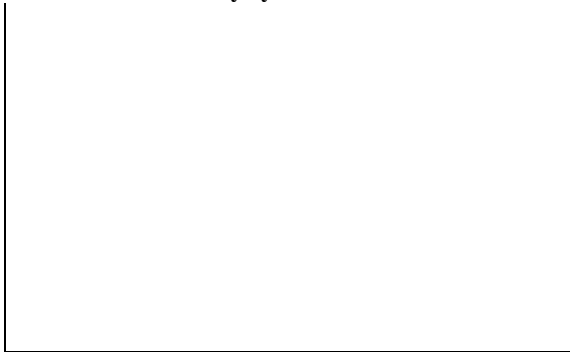
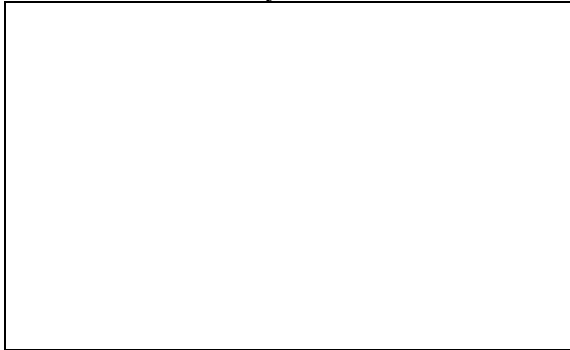
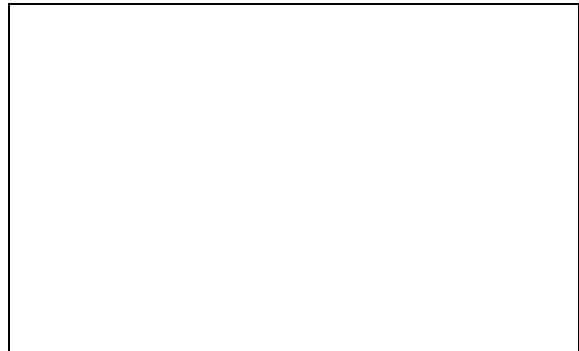


Chart 28: Period of Indebtedness for Housing Maintenance in Various Zheks in Shevchenkivsky Raion, the city of L'viv



In January 1998, 56% of households either had no debts or were only one month in arrears (under the computerized record keeping system, this category does include those who are actually in debt); 30% percent were three and more months late (see Chart 29). So, the majority of households pay for housing either on time or with only a small delay.

Chart 29: Distribution of Payers for Housing Maintenance in Shevchenkivsky Raion of the City of L'viv by Period of Indebtedness



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